

SANATANA RESOURCES INC.

Condensed Interim Financial Statements

Third Quarter Ended December 31, 2017

Expressed in Canadian Dollars

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of Sanatana Resources Inc. for the nine months ended December 31, 2017 have been prepared by the management of the Company and approved by the Company's audit committee.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the condensed interim financial statements by an entity's auditor.

Sanatana Resources Inc.

Condensed Interim Statements of Financial Position

	Notes	December 31, 2017	March 31, 2017
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	260,957	1,169,614
Receivables	4	15,728	6,167
Prepaid expenses		8,049	28,527
Total current assets		284,734	1,204,308
Non-current assets			
Prepaid exploration and evaluation advance		2,723	-
Exploration and evaluation assets	5	595,686	-
Equipment	6	13,749	19,176
Total non-current assets		612,158	19,176
Total assets		896,892	1,223,484
LIABILITIES			
Current liabilities			
Payables and accruals	7	200,982	323,895
Total liabilities		200,982	323,895
EQUITY			
Share capital	8	43,548,571	43,428,571
Reserves	8	5,051,799	4,930,299
Deficit		(47,904,460)	(47,459,281)
Total equity		695,910	899,589
Total equity and liabilities		896,892	1,223,484

Signed on the Company's behalf by:

"Peter Miles", Director

Peter Miles

"Darcy Will", Director

Darcy Will

The accompanying notes are an integral part of these condensed interim financial statements.

Sanatana Resources Inc.

Condensed Interim Statements of Comprehensive Loss

	Notes	Three months ended December 31,		Nine months ended December 31,	
		2017	2016	2017	2016
		\$	\$	\$	\$
Expenses					
Depreciation	6	1,809	1,809	5,427	5,295
Director fees	10	10,000	-	10,000	-
Exploration and property investigation		30,000	-	57,374	-
Filing fees		2,131	251	15,993	7,158
Investor relations		2,780	120	10,543	965
Management fees and salaries	10	44,295	62,254	140,982	195,141
Office and administration		7,782	12,378	26,061	28,585
Professional fees		879	13,512	9,966	25,489
Rent		15,416	2,073	42,406	14,803
Share-based compensation	9	58,600	-	121,500	-
Transfer agent fees		2,005	5,240	4,076	13,912
Travel and accomodation		1,646	15,834	2,305	25,643
Loss before other income/expenses		(177,343)	(113,471)	(446,633)	(316,991)
Other expense		-	-	-	(10,000)
Interest and other income		857	-	1,454	179
Loss and total comprehensive loss for the period		(176,486)	(113,471)	(445,179)	(326,812)
Loss per share - basic and diluted	11	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average common shares outstanding - basic and diluted	11	138,479,834	120,773,834	137,639,834	120,773,834

The accompanying notes are an integral part of these condensed interim financial statements.

Sanatana Resources Inc.

Condensed Interim Statements of Changes in Equity

	Common Shares \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2016	42,707,020	4,735,771	(46,956,906)	485,885
Loss for the period	-	-	(326,812)	(326,812)
Balance - December 31, 2016	42,707,020	4,735,771	(47,283,718)	159,073

	Common Shares \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2017	43,428,571	4,930,299	(47,459,281)	899,589
Shares issued for Jackfish Property	120,000	-	-	120,000
Share-based compensation	-	121,500	-	121,500
Loss for the period	-	-	(445,179)	(445,179)
Balance - December 31, 2017	43,548,571	5,051,799	(47,904,460)	695,910

The accompanying notes are an integral part of these condensed interim financial statements.

Sanatana Resources Inc.

Condensed Interim Statements of Cash Flows

For the nine months ended December 31,	Notes	2017	2016
		\$	\$
Cash provided by (used in):			
Operating activities:			
Loss before income taxes		(445,179)	(326,812)
Adjustments for:			
Depreciation of property and equipment	6	5,427	5,295
Interest income		(1,454)	-
Accrual of payment in shares		-	10,000
Share-based compensation	9	121,500	-
Changes in non-cash working capital items:			
Receivables		(9,561)	14,181
Prepaid expenses		20,478	8,166
Payables and accruals		(123,303)	(153,051)
		(432,092)	(442,221)
Investing activities:			
Prepaid exploration and evaluation advance		(2,723)	-
Exploration and evaluation assets	5	(475,296)	-
Equipment purchases		-	(1,196)
Interest received		1,454	-
		(476,565)	(1,196)
Decrease in cash and cash equivalents		(908,657)	(443,417)
Cash and cash equivalents, beginning of period		1,169,614	1,160,283
Cash and cash equivalents, end of period		260,957	716,866
Cash and equivalents comprise:			
Cash		60,957	716,866
Equivalents		200,000	-
		260,957	716,866

Supplementary cash flow information (note 12)

The accompanying notes are an integral part of these condensed interim financial statements.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2017

1. Nature of Operations and Continuance of Operations

Sanatana Resources Inc. ("Sanatana" or the "Company") was incorporated on June 25, 2004 under the British Columbia Business Corporations Act. Sanatana is an exploration stage company, and its principal business activity is the acquisition, exploration and development of mineral properties. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol STA.

The Company has not generated revenue from operations and has no immediate plans that could generate cash from operations. The Company incurred a loss of \$445,179 during the nine months ended December 31, 2017 and, as of that date the Company's deficit was \$47,904,460. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash and cash equivalents of \$260,957 at December 31, 2017 (March 31, 2017 - \$1,169,614).

The head office and principal address of the Company are located at Suite 908 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. These financial statements were authorized for issue by the audit committee on February 26, 2017.

2. Basis of Presentation

The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Statement of Compliance

These condensed interim financial statements of the Company for the nine months ended December 31, 2017 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), on a basis consistent with the significant accounting policies disclosed in note 3 of the most recent annual financial statements as at and for the year ended March 31, 2017 as filed on SEDAR at www.sedar.com. The condensed interim financial statements do not include all of the information required for full annual financial statements.

Basis of Measurement

The financial statements have been prepared on a historical cost basis.

The financial information is presented in Canadian dollars, which is the functional currency of the Company.

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

2. Basis of Presentation (continued)

Critical accounting estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss/income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

2. Basis of Presentation (continued)

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

Standards, Amendments and Interpretations Not Yet Effective

IASB or the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for accounting years beginning on or after April 1, 2017. None of these are expected to be relevant to the Company's financial statements, except for the following:

IFRS 9 Financial Instruments

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 will be effective for the fiscal year beginning April 1, 2018. The Company is evaluating the impact of the new standard.

IFRS 16 - Leases

IFRS 16 - Leases specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring that lessees recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and will be applicable to the Company's fiscal year beginning April 1, 2019, although early adoption is permitted. The Company has not yet assessed the impact of this standard or determined whether it will early adopt.

3. Cash and Cash Equivalents

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Short-term investment deposits included in cash and cash equivalents bear interest at 0.35% to maturity.

4. Receivables

	December 31, 2017	March 31, 2017
	\$	\$
GST - value added tax	15,728	6,167
	15,728	6,167

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

5. Exploration and Evaluation Assets

The exploration and evaluation assets of the Company are comprised as follows:

Jackfish Property

In June 2017, the TSX-V approved the Company's option to acquire a 100% interest in the Jackfish gold property in Ontario from three parties, Alto Ventures Ltd. ("Alto"), Rudy Wahl ("Wahl") and a group of prospectors referred to for convenience as "Richards et al". The option provides that the Company pay \$375,000 over a two-year period (\$125,000 paid on closing), issue 10,500,000 common shares over a two year period (3,000,000 issued on closing) and reimburse exploration expenditures of \$20,000 on closing (paid). In addition, the Company must spend \$600,000 on exploration over 24 months (\$225,000 in the first 12 months) and pay cash of \$1,000,000 to Richards et al following receipt of a positive feasibility study

The Jackfish gold property is subject to royalties as follows:

- (a) Net smelter return ("NSR") royalties on metals of 2% to Wahl and Richards et al, and a gross overriding royalty on diamonds of 2% to Wahl, all of which have an option to reduce these royalties to 1% for cash payments of \$1,000,000 to each party.
- (b) NSR royalty on metals of 1% to Alto, for which a 2% NSR royalty already exists in a previous assignment agreement and which royalty has an option to be reduced to 1% for cash payment of \$1,000,000.
- (c) Additional NSR royalty to Alto of 0.33%, to Wahl of 0.33% and to Richards et al of 0.34% on any new property acquired within the area of interest contemplated in the option agreements.

The Company's accounting policy is to only capitalize exploration expenditures once it has secured legal ownership or option rights. The Jackfish option transaction was formally approved on June 21, 2017 but the Company incurred expenditures of \$55,403 on exploration and planning activities prior to that date. These costs were charged to operations, \$27,374 in the current fiscal year and \$28,029 in fiscal 2017. Capitalized expenditures during the nine months ended December 31, 2017 were:

	March 31,	Change	December 31,
	2017		2017
	\$	\$	\$
Acquisition costs	-	265,000	265,000
Helicopter and fixed wing aircraft costs	-	-	-
Sampling and assays	-	13,223	13,223
Contractor and consultant	-	133,424	133,424
Project management fees	-	64,000	64,000
Field and camp	-	31,387	31,387
Transport and accomodation	-	77,088	77,088
Permitting and other	-	11,564	11,564
Jackfish Property	-	595,686	595,686

Subsequent to quarter-end, the Company signed an asset purchase agreement, subject to TSXV approval, to acquire the Santoy Mountain property adjacent to the Jackfish property (see note 15).

Sanatana Resources Inc.
Notes to the Financial Statements
For the nine months ended December 31, 2017

6. Equipment

	Office Furniture	Computer Equipment	Exploration Equipment	Trucks	Total
	\$	\$	\$	\$	\$
Cost					
At March 31, 2016	34,703	9,075	63,497	34,204	141,479
Additions	-	1,196	-	-	1,196
At March 31, 2017 and December 31, 2017	34,703	10,271	63,497	34,204	142,675
Accumulated Depreciation					
At March 31, 2016	34,703	9,075	63,497	9,120	116,395
Charge for the period	-	264	-	6,840	7,104
At March 31, 2017	34,703	9,339	63,497	15,960	123,499
Charge for the period	-	297	-	5,130	5,427
At December 31, 2017	34,703	9,636	63,497	21,090	128,926
Net book value					
At March 31, 2016	-	-	-	25,084	25,084
At March 31, 2017	-	932	-	18,244	19,176
At December 31, 2017	-	635	-	13,114	13,749

7. Payables and Accruals

	December 31, 2017	March 31, 2017
	\$	\$
Trade payables	195,574	289,910
Accrued liabilities	2,252	16,087
Exploration expenditures	390	-
Due to related parties	2,766	17,898
	200,982	323,895

Sanatana Resources Inc.
Notes to the Financial Statements
For the nine months ended December 31, 2017

8. Share Capital and Reserves

Authorized share capital

Authorized share capital comprises an unlimited number of common shares with no par value.

Common Shares

Fiscal 2018

In June 2017, 3,000,000 common shares were issued in accordance with the Jackfish Property agreement (see note 5) at an issue-date fair value of \$0.04 per share for an aggregate value of \$120,000.

Fiscal 2017

In March 2017, the Company completed a non-brokered private placement of 10,870,000 flow-through units ("FT Units") at \$0.05 per FT Unit and 3,720,000 non-flow-through units ("Units") at \$0.05 per Unit for aggregate gross proceeds of \$729,500 plus \$194,528 related to certain suppliers, vendors and directors who settled amounts owed to them concurrent with the non-flow-through private placement.

Each FT Unit comprised one common share of the Company that is a "flow-through share" within the meaning of the Income Tax Act (Canada) and one whole warrant. Each Unit comprised one non-flow-through common share of the Company and one warrant. Each warrant entitles the holder to purchase one additional non-flow-through common share of the Company at a price of \$0.10 per common share for a period of 24 months from closing. Securities issued with the FT Units are subject to a hold period expiring July 22, 2017 and the securities issued with the Units are subject to a hold period expiring July 30, 2017.

The Company paid finders' fees of \$7,000, \$1,200 in cash and \$5,800 by issuing 116,000 non-flow-through common shares of the Company at a deemed price of \$0.05 per non-flow-through common share.

The following is a summary of changes in common share capital from March 31, 2016 to December 31, 2017:

	Number of Shares	Share Price \$	Common Shares \$
Balance - March 31, 2016	120,773,834		42,707,020
Private placements	3,720,000	0.05	186,000
Private placement of flow-through shares	10,870,000	0.05	543,500
Finder's fee issued as shares	116,000	0.05	5,800
Less share issue costs	-	-	(13,749)
Balance - March 31, 2017	135,479,834		43,428,571
Share issuance for Jackfish Property option	3,000,000	0.04	120,000
Balance - December 31, 2017	138,479,834		43,548,571

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

8. Share Capital and Reserves (continued)

Reserves

Reserves comprise the fair value of stock option grants, agent warrants prior to exercise and settlement of amounts with existing shareholders. The following is a summary of changes in reserves from March 31, 2016 to December 31, 2017:

	\$
Balance March 31, 2016	4,735,771
Units issued to existing shareholders on settlement of amounts owing	194,528
Balance March 31, 2017	4,930,299
Share-based compensation	121,500
Balance December 31, 2017	5,051,799

Warrants

The Company's movement in share purchase warrants is as follows:

	December 31, 2017		March 31, 2017	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of period	14,590,000	\$0.10	1,250,000	\$0.15
Granted	-	-	14,590,000	0.10
Expired	-	-	(1,250,000)	0.15
Balance, end of period	14,590,000	0.10	14,590,000	0.10

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants
March 21, 2019	\$ 0.10	10,870,000
March 29, 2019	\$ 0.10	3,720,000
		14,590,000

9. Share-Based Payments

The Company has a rolling stock option plan that allows the Company's board of directors to issue options to purchase up to 10% of the common shares outstanding at the grant date. Directors, officers, consultants and employees of the Company are eligible to receive stock options, subject to the policies of the TSX-V. The directors may set option terms, but options granted under the plan typically have a life of five years and vest over an 18-month period. Share-based payments expense is amortized over the vesting period. The Company's shareholders reconfirmed the option plan in December 2017.

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

9. Share-Based Payments (continued)

In fiscal 2015, the Company committed to grant options to purchase up to 500,000 common shares and accrued a value for those options of \$13,000. The director resigned before the options were rewarded and so the comparative period comprehensive loss includes a \$13,000 recovery of stock-based compensation in this regard.

In September 2017, the Company granted stock options to directors, officers, employees and contractors of the Company to purchase up to 6,800,000 common shares of the Company at a price of \$0.06 per share. The stock options are exercisable on or before September 28, 2022 and vest in stages with 25% vesting immediately and the remainder to vest 25% every six months from the dated of the grant. Of the options granted 5,000,000 were awarded to directors and officers of the Company.

	December 31, 2017		March 31, 2017	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of period	4,550,000	\$0.25	4,950,000	\$0.27
Granted	6,800,000	0.06	-	-
Forfeited or expired	(2,650,000)	0.35	(400,000)	0.50
Balance, end of period	8,700,000	\$0.07	4,550,000	\$0.25

Summary of outstanding options at December 31, 2017:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.06	6,800,000	\$0.06	4.73 years	1,700,000	\$0.06
\$0.10	1,900,000	\$0.10	1.12 years	1,900,000	\$0.10
	8,700,000	\$0.07	3.95 years	3,600,000	\$0.08

The Company incurred an expense of \$121,500 for share-based payments for the nine months ended December 31, 2017 (2016 - \$nil).

The fair value of the share-based payments was estimated using the Black-Scholes option pricing model with the following assumptions:

For the nine months ended December 31,	2017
Dividend yield	0%
Risk-free interest rate	1.8%
Estimated volatility	127%
Expected life in years	5

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

10. Related Party Transactions and Balances

The Company incurred key management and board of directors' compensation as follows:

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Key management personnel compensation				
Salary	30,000	30,000	90,000	90,000
Short-term benefits	1,107	1,107	3,321	3,321
Management fees - expensed	2,140	870	7,810	8,500
Share-based payments	42,350	-	88,600	-
Total	75,597	31,977	189,731	101,821

Included in the above is compensation paid through companies:

S2 Management Inc.	2,140	870	7,810	8,500
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S2 Management Inc. is controlled by the Company's CFO.

Balances due to related parties that are included in accounts payable and accrued liabilities comprise:

	December 31, 2017	March 31, 2017
	\$	\$
Directors and officers	2,000	15,000
S2 Management Inc.	766	2,898
	2,766	17,898

During the year ended March 31, 2017, the Company issued 1,340,000 shares to key management for settlement of amounts owing.

Related party balances are due on demand, bear no interest and are current liabilities.

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

11. Loss per Share

The calculation of the basic and diluted loss per share for the periods presented is based on the following data:

	Three months ended December 31,		Nine months ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Loss for the period	(176,486)	(113,471)	(445,179)	(326,812)
Weighted average number of common shares outstanding	138,479,834	120,773,834	137,639,834	120,773,834
	(0.00)	(0.00)	(0.00)	(0.00)

Diluted loss per share for the three and nine months ended December 31, 2017 and 2016 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

12. Supplemental Cash Flow Information

Non-cash investing activities included the following:

For the nine months ended December 31,	2017	2016
	\$	\$
Non-cash investing activities:		
Shares issued for exploration and evaluation assets	120,000	-

13. Commitments

- In the event of a change of control of the Company, the Company may be required to pay up to \$378,000 to directors, officers, employees and a contractor.
- In March 2017, the Company undertook a flow-through financing (note 8) and at December 31, 2017 was obliged, under the terms of the financing and related tax law, to expend \$185,656 on mineral exploration before December 31, 2018.
- The Company is contractually committed to make payments regarding premises lease as follows:

Period ending March 31, 2018	\$ 14,325
Year ending March 31, 2019	\$ 42,976
	<u>\$ 57,301</u>

14. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties.

Sanatana Resources Inc.

Notes to the Financial Statements

For the nine months ended December 31, 2017

15. Events after the Reporting Period

Sanatana has signed an asset purchase agreement, which is subject to TSX-V approval, with Brian Fowler and Christian Carl ("Fowler and Carl") to acquire the Santoy Property adjacent to the Company's Jackfish Property.

To acquire a 100% interest in the Santoy Property, Sanatana must, in aggregate:

- a) Pay Fowler and Carl \$12,500 cash;
- b) issue 250,000 of the Company's common shares to Fowler and Carl (shares subject to a hold period of four months and a day from the date of issuance); and
- c) pay a net smelter return royalty on metals of 2% upon the commencement of commercial production to Fowler and Carl, with an option to reduce the royalty to 1% for cash payments of \$1,000,000.